

Committee on Government Reform

Tom Davis, Chairman



MEDIA ADVISORY

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Government Reform Committee to Review Mismanagement of Government Property Portfolio *Billions Wasted Each Year to Maintain Vacant, Unneeded Buildings*

What: Government Reform Committee Hearing on “Wasted Space, Wasted Dollars: Reforming Federal Real Property to Meet 21st Century Needs”

Immediately Following the Hearing, the Committee Will Mark Up H.R. 2086, “The Office of National Drug Control Policy Reauthorization Act of 2003”

When: Thursday, June 5, 2003, 10 a.m.

Where: Room 2154, Rayburn House Office Building

“The magnitude of the problem with underutilized or excess federal property puts the government at significant risk for wasting taxpayers’ money and missed opportunities.” –The U.S. General Accounting Office

Background:

Federal government agencies control over 3.2 billion square feet of real property assets in the United States and around the world. The Federal government spends billions of dollars annually to maintain those properties. For instance, the Department of Defense (DOD) spends \$3 to 4 billion annually maintaining unneeded facilities, the Department of Energy is spending over \$70 million each year for excess property, and the Department of Veterans Affairs (VA) spends \$35 million to maintain vacant properties.

In addition to these significant operational costs, holding these properties has opportunity costs for the government, because this property could be sold to generate revenue for the government and taxpayers, or exchanged for other property.

“I think taxpayers will be outraged to discover how much money the government wastes every year repairing and maintaining buildings that sit vacant or are otherwise unneeded,” Committee Chairman Tom Davis said. “Many of the government’s properties are not suitable for its changing mission. A substantial portion of the Federal government’s real property portfolio was constructed over 50 years ago. Many properties are in deteriorating condition, are not equipped with current technology, do not meet enhanced security protection standards, and pose health and safety threats. These conditions affect the functionality and quality of the agencies’ services. The cost to remedy these shortcomings is staggering, and the cost of keeping unused properties on the Federal rolls continues to rise. Properties need to be either upgraded or removed from the Federal property rolls. When faced with these conditions, many agencies are forced to vacate properties and lease costly office space from the private sector.”

The hearing will examine the current status of the Federal government’s extensive real property holdings around the world, including utilization levels, the condition of facilities, and ways to improve management of these extensive assets. In fiscal year 2001, the Federal government’s real property assets were valued at \$328 billion. The government spends billions of dollars annually to maintain its properties; yet, many buildings are deteriorating and lack the technological capabilities and security protection necessary to meet current needs of the Federal workforce. Other Federal properties are no longer needed for the purposes they were acquired. This situation has led the General Accounting Office (GAO) to place vacant, underutilized, and deteriorating Federal real property on its High Risk List. The Committee seeks to determine what management tools and incentives are needed to combat the significant problems highlighted by the GAO report. We will hear from government and private sector witnesses.

Federal agencies are subject to several laws that limit their authority to acquire, manage, and dispose of real property. The General Services Administration (GSA) has broad responsibility over Federal real property, but its freedom to effectively manage holdings is severely restricted. Other agencies, such as DOD, the Department of State, and the VA, have separate authority that gives them limited flexibility to outlease or dispose of their property under specific conditions.

“We’ve tied agencies’ hands for too long,” Davis said.

GSA and other agencies need broader management authority in order to efficiently and cost-effectively manage their properties. The first step in solving this problem is to require an accurate and updated inventory of all Federal real property and to establish a Real Property Officer in each agency. Next, agencies must be given expanded authority to exchange or transfer property with other Federal agencies, sublease unexpired portions of leased property, and outlease underutilized property. In addition, agencies should be

permitted to retain the proceeds from disposition of excess real property to meet the agency's capital asset needs.

In the 107th Congress, H.R. 3947, the "Federal Property Asset Management Reform Act of 2002," contained these reforms. That bill had bipartisan support in the last Congress and passed out of this Committee.

This hearing will examine the reasons why GAO placed Federal real property on its High Risk Series. We will also hear from GSA and other agencies about the property law reforms that they need to respond to the problem.

WITNESSES

The Honorable Pete Sessions (R-TX)

Steven Perry, Administrator, General Services Administration

Linda Springer, Controller, Office of Federal Financial Management, Office of Management and Budget

Major General Charles Williams, Director, Overseas Buildings Operations, Department of State

Bernard Ungar, Director, Physical Infrastructure, General Accounting Office

Brent Bitz, representing the Building Owners and Managers Association and Executive Vice President of Charles E. Smith Commercial Realty

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